

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Brookfield Township	County Eaton
Fiscal Year End March 31, 2006	Opinion Date September 17, 2006	Date Audit Report Submitted to State September 29, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

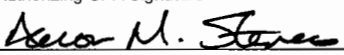
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number 517-351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
		Zip 48823	
Authorizing CPA Signature 		Printed Name Aaron Stevens	License Number 1101024055

**Township of Brookfield
Eaton County, Michigan**

FINANCIAL STATEMENTS

March 31, 2006

Township of Brookfield

Eaton County, Michigan

March 31, 2006

BOARD OF TRUSTEES

Nolan B. Spotts

Supervisor

Sharon Roiter

Clerk

Florence Powers

Treasurer

Russ A. Nelson

Trustee

Jim Orr

Trustee

Township of Brookfield

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Principals

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Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
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ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Brookfield
Eaton County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Brookfield, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Brookfield, Michigan as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information, as identified in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Township of Brookfield's basic financial statements. The combining fund financial statements listed in the Table of Contents under other supplementary financial information are presented for purposes of additional analysis and are not a required part of the financial statements of the Township of Brookfield. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Township has not presented a management's discussion and analysis (MD&A), which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that the MD&A is necessary to supplement, although not required to be part of the basic financial statements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 17, 2006

BASIC FINANCIAL STATEMENTS

Township of Brookfield
STATEMENT OF NET ASSETS
March 31, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash	\$ 34,254	\$ 507	\$ 34,761
Noncurrent assets			
Cash - restricted	813	-	813
Capital assets being depreciated, net	-	325,229	325,229
Total noncurrent assets	813	325,229	326,042
TOTAL ASSETS	35,067	325,736	360,803
LIABILITIES			
Current liabilities			
Accounts payable	1,899	-	1,899
NET ASSETS			
Invested in capital assets	-	325,229	325,229
Restricted for cemetery maintenance	813	-	813
Unrestricted	32,355	507	32,862
TOTAL NET ASSETS	\$ 33,168	\$ 325,736	\$ 358,904

Note: Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets is not required as total fund balances of the governmental funds is equal to total net assets of governmental activities as of March 31, 2006.

See accompanying notes to financial statements.

Township of Brookfield
STATEMENT OF ACTIVITIES
Year Ended March 31, 2006

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets		
			Primary Government		
			Governmental Activities	Business-type Activities	Total
Governmental activities					
General government	\$ 59,699	\$ 12,566	\$ (47,133)	\$ -	\$ (47,133)
Public safety	23,888	1,000	(22,888)	-	(22,888)
Public works	29,250	-	(29,250)	-	(29,250)
Health and welfare	1,147	-	(1,147)	-	(1,147)
Other	10,435	-	(10,435)	-	(10,435)
Total governmental activities	124,419	13,566	(110,853)	-0-	(110,853)
Business-type activities					
Narrow Lake sewer	-	507	-	507	507
Total	<u>\$ 124,419</u>	<u>\$ 14,073</u>	(110,853)	507	(110,346)
General revenues					
Property taxes			29,815	-	29,815
State shared revenue			96,514	-	96,514
Investment earnings			3	-	3
Miscellaneous			5,418	-	5,418
Transfers			(151,353)	151,353	-0-
Total general revenues and transfers			(19,603)	151,353	131,750
Change in net assets			(130,456)	151,860	21,404
Net assets, beginning of the year			163,624	173,876	337,500
Net assets, end of the year			<u>\$ 33,168</u>	<u>\$ 325,736</u>	<u>\$ 358,904</u>

Note: Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of governmental funds to the Statement of Activities is not necessary because total fund balances for governmental funds is equal to total net assets for governmental activities.

See accompanying notes to financial statements.

Township of Brookfield

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2006

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 34,254	\$ -	\$ 34,254
Cash - restricted	-	813	813
TOTAL ASSETS	<u>\$ 34,254</u>	<u>\$ 813</u>	<u>\$ 35,067</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,899	\$ -	\$ 1,899
FUND BALANCES			
Reserved for			
Cemetery maintenance	-	813	813
Unreserved			
Undesignated, reported in			
General fund	<u>32,355</u>	<u>-</u>	<u>32,355</u>
TOTAL FUND BALANCES	<u>32,355</u>	<u>813</u>	<u>33,168</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 34,254</u>	<u>\$ 813</u>	<u>\$ 35,067</u>

See accompanying notes to financial statements.

Township of Brookfield

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

Year Ended March 31, 2006

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 41,501	\$ -	\$ 41,501
Intergovernmental	96,514	-	96,514
Charges for services	1,880	-	1,880
Interest	-	3	3
Other	5,418	-	5,418
TOTAL REVENUES	145,313	3	145,316
EXPENDITURES			
Current			
General government	57,235	-	57,235
Public safety	23,888	-	23,888
Public works	29,250	-	29,250
Health and welfare	1,147	-	1,147
Other	10,435	-	10,435
Capital outlay	2,464	-	2,464
TOTAL EXPENDITURES	124,419	-0-	124,419
EXCESS OF REVENUES OVER EXPENDITURES	20,894	3	20,897
OTHER FINANCING USES			
Transfers out	(151,353)	-	(151,353)
EXCESS OF REVENUES (UNDER) EXPENDITURES AND OTHER FINANCING USES	(130,459)	3	(130,456)
Fund balances, beginning of year	162,814	810	163,624
Fund balances, end of year	\$ 32,355	\$ 813	\$ 33,168

See accompanying notes to financial statements.

Township of Brookfield

STATEMENT OF NET ASSETS - PROPRIETARY FUND

March 31, 2006

	Business-type Activities <u>Narrow Lake Sewer</u>
ASSETS	
Current assets	
Cash	\$ 507
Noncurrent assets	
Capital assets not being depreciated	<u>325,229</u>
TOTAL ASSETS	325,736
NET ASSETS	
Invested in capital assets	325,229
Unrestricted	<u>507</u>
TOTAL NET ASSETS	<u>\$ 325,736</u>

See accompanying notes to financial statements.

Township of Brookfield

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND

Year Ended March 31, 2006

	Business-type Activities
	<u>Narrow Lake Sewer</u>
OPERATING REVENUES	
Charges for services	\$ 507
NONOPERATING REVENUES	
Transfers in	<u>151,353</u>
CHANGE IN NET ASSETS	151,860
Net assets, beginning of year	<u>173,876</u>
Net assets, end of year	<u><u>\$ 325,736</u></u>

See accompanying notes to financial statements.

Township of Brookfield

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended March 31, 2006

	Business-type Activities <u>Narrow Lake Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 507
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	151,353
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital purchases	<u>(151,353)</u>
NET INCREASE IN CASH	507
Cash, beginning of year	<u>-</u>
Cash, end of year	<u><u>\$ 507</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	<u>\$ 507</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 507</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brookfield Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Eaton County. The Township operates under an elected Township Board, which consists of a Supervisor, Clerk, Treasurer, and two trustees, and provides services to its residents in many areas including fire protection, roads, and ambulance service.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present all financial activities of the Township of Brookfield. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of Brookfield Township contain all the funds controlled by the Township Board.

2. Related Organization

Rural Fire Association – The Rural Fire Association was established as a legally separate nonprofit organization. Members pay dues yearly and have one member and one vote on the Board of Directors. Currently, the members are the Townships of Brookfield, Carmel, Chester, Eaton, and Walton. The Association has a contract with the City of Charlotte for expenses connected with fire department services in the areas serviced. The Township of Brookfield does not hold title to any of the Association's assets, nor does it have rights to any surpluses or responsibility to finance any deficits of the Association. The Township of Brookfield paid \$20,087 to the Association in the year ended March 31, 2006.

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements).

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the Township are:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Narrow Lake Sewer Fund is used to account for the operations required to provide sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

4. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Basis of Accounting - continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

6. Budgets and Budgetary Accounting

The General Fund budget shown as required supplementary information to the financial statements was prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a functional level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between accounts within the fund or activity or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted and amended by the Township Board during the year. The amendments to the originally adopted budget were not material.

7. Cash

Cash consists of various checking and savings accounts. Restricted cash relates to amounts held for cemetery maintenance, as restricted for use by the donor.

8. Property Tax

Brookfield Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Eaton County Treasurer on March 1 of the year following the levy. The Eaton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for roads and bridges. For the year ended March 31, 2006, the Township levied 0.8767 mills per \$1,000 of assessed valuation for general governmental services. The total taxable value for the 2005 levy for property within the Township was \$35,528,810.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Capital Assets

Capital assets consist of a sewer system and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the business-type activities column. Capital assets are those with an estimated useful life of more than one year. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation for the equipment is computed using the straight-line method over 5 years.

10. Comparative Data

Comparative data for the year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

NOTE B: CASH

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Township of Brookfield
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE B: CASH - CONTINUED

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2006, the carrying amount of the Township's deposits was \$35,574 and the bank balance was \$47,943.

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of March 31, 2006, the Township accounts were insured by the FDIC for \$47,943.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2006, the Township did not have any investments that would be subject to rating.

Interest rate risk

The Township has not adopted a policy that addresses interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Concentration of credit risk

The Township has not adopted a policy that addresses concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2006 was as follows:

Business-type activities

	Balance <u>April 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>March 31, 2006</u>
Capital assets not being depreciated:				
Construction in progress	\$ <u>173,876</u>	\$ <u>151,353</u>	\$ <u>-0-</u>	\$ <u>325,229</u>

Township of Brookfield

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE D: LONG-TERM DEBT

On March 30, 2006, Eaton County issued Act 185 bonds through the Michigan Municipal Bond Authority's State Revolving Fund Program in the amount of \$2,860,000 for the purpose of defraying the cost of constructing the Narrow Lake wastewater collection and treatment system. The bonds were issued in anticipation of and payable from payments made by Brookfield Township. Repayment of the bonds is expected to be financed by Brookfield Township through user charges. The debt proceeds are to be drawn down by the County as work progresses and then reimbursements are forwarded to the Township. As of March 31, 2006, no debt proceeds had been drawn.

Because the repayment of the bonds is reimbursement based, the amortization schedule will not be finalized until the project is completed.

NOTE E: FUND BALANCE RESERVES

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the fund balance reserves as of March 31, 2006:

Fund Balance

PRIMARY GOVERNMENT

General Fund

Reserved for cemetery maintenance \$ 813

NOTE F: DEFERRED COMPENSATION PLAN

The Township of Brookfield offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of the plan were held in trust (custodial account or annuity contract) as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of the Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer (Township of Brookfield) for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Township of Brookfield's financial statements.

NOTE G: RISK MANAGEMENT

The Township participates in a pool, the Michigan Township Participating Plan, with other municipalities for various risks of loss including employer's liability, wrongful acts liability, governmental medical liability, employee benefits liability, cemetery professional liability, and auto liability. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have rights to dividends.

The Township has purchased commercial insurance to minimize risk of loss due to workers' compensation claims.

NOTE H: SUBSEQUENT EVENT

On May 2, 2006, the Township closed on a commercial loan in the amount of \$180,556 to purchase land for the Narrow Lake Sewer project. Repayment of the loan is expected to be financed through user charges.

Township of Brookfield

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE I: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedule, the Township's budgeted expenditures in the General Fund have been shown at the activity level. The approved budgets of the Township have been adopted at the activity level for the General Fund.

During the year ended March 31, 2006, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General government			
Elections	\$ 50	\$ 115	\$ 65
Board of Review	450	451	1
Other			
Insurance	7,500	9,714	2,214
Contracted services	-	721	721
Other financing uses			
Transfers out	142,297	151,353	9,056

NOTE J: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

The following are the various net asset restrictions as of March 31, 2006:

PRIMARY GOVERNMENT	
Governmental activities	
Restricted for	
Cemetery maintenance	<u>\$ 813</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Brookfield

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current property taxes	\$ 30,000	\$ 30,000	\$ 29,815	\$ (185)
Tax administration fees	10,610	10,610	11,686	1,076
Total taxes	40,610	40,610	41,501	891
Intergovernmental				
State shared revenue	94,000	94,000	96,514	2,514
Charges for services				
Land division	400	400	280	(120)
Fire runs	1,000	1,000	1,000	-0-
Cemetery lot sales	1,000	1,000	600	(400)
Total charges for services	2,400	2,400	1,880	(520)
Interest income	50	50	-	(50)
Other revenue				
Miscellaneous	118,595	118,595	5,418	(113,177)
TOTAL REVENUES	255,655	255,655	145,313	(110,342)
EXPENDITURES				
General government				
Legislative	5,550	5,550	2,302	3,248
Executive	8,039	8,039	8,039	-0-
Elections	50	50	115	(65)
Assessor	21,780	21,780	14,562	7,218
Clerk	12,204	12,204	12,015	189
Board of review	450	450	451	(1)
Treasurer	13,799	13,799	13,304	495
Township hall	1,700	1,700	1,305	395
Cemetery	7,500	7,500	5,142	2,358
Attorney	150	150	-	150
Total general government	71,222	71,222	57,235	13,987
Public safety				
Fire protection	40,000	40,000	23,888	16,112

Township of Brookfield

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES - CONTINUED				
Public works				
Drains at large	\$ 3,000	\$ 3,000	\$ -	\$ 3,000
Road maintenance	30,000	30,000	29,250	750
Total public works	33,000	33,000	29,250	3,750
Health and welfare				
Ambulance contracted services	1,147	1,147	1,147	-0-
Other				
Insurance	7,500	7,500	9,714	(2,214)
Contracted services	-	-	721	(721)
Total other	7,500	7,500	10,435	(2,935)
Capital outlay				
Equipment	3,000	3,000	2,464	536
TOTAL EXPENDITURES	155,869	155,869	124,419	31,450
EXCESS OF REVENUES OVER EXPENDITURES	99,786	99,786	20,894	(78,892)
OTHER FINANCING USES				
Transfers out	(142,297)	(142,297)	(151,353)	(9,056)
EXCESS OF REVENUES (UNDER) EXPENDITURES AND OTHER FINANCING USES	(42,511)	(42,511)	(130,459)	(87,948)
Fund balance, beginning of year	162,814	162,814	162,814	-0-
Fund balance, end of year	\$ 120,303	\$ 120,303	\$ 32,355	\$ (87,948)

OTHER SUPPLEMENTARY INFORMATION

Township of Brookfield
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
March 31, 2006

	Permanent Funds		Total Nonmajor Governmental Funds
	Nellie Miller	Lela Troutner	
ASSETS			
Cash	\$ 291	\$ 522	\$ 813
FUND BALANCES			
Reserved for Cemetery maintenance	\$ 291	\$ 522	\$ 813

Township of Brookfield

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

	Permanent Funds		Total Nonmajor Governmental Funds
	Nellie Miller	Lela Troutner	
REVENUES			
Interest	\$ 1	\$ 2	\$ 3
Fund balances, beginning of year	290	520	810
Fund balances, end of year	<u>\$ 291</u>	<u>\$ 522</u>	<u>\$ 813</u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



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**COMMUNICATION OF REPORTABLE CONDITIONS, OTHER COMMENTS,
AND RECOMMENDATIONS TO MANAGEMENT AND THE TOWNSHIP BOARD**

To the members of the Township Board
Township of Brookfield
Eaton County, Michigan

Dear Ladies/Gentlemen:

In planning and performing our audit of the financial statements of the Township of Brookfield for the year ended March 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township of Brookfield's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in internal control, errors or fraud may occur and not be detected by such controls.

REPORTABLE CONDITIONS

SEGREGATION OF DUTIES

During our consideration of the Township's internal controls and our assessment of fraud risk, we noted that the Township does not have an adequate overall internal control design. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipts, disbursements, etc.). Currently, the same individual accepts cash receipts, records cash receipts, prepares bank deposits, makes bank deposits, and prepares the bank reconciliation.

While this is a common occurrence in small organizations due to the limited number of employees, the Township Board should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated.

We recommend that the Township review various areas of operation and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we recommend the Township Board provide a greater review and supervision of employee functions and procedures.

APPROPRIATE REVIEW OF GENERAL LEDGER REPORTING

During our consideration of the Township's internal controls, we noted that although the Township appropriately adopted an annual budget for the General Fund, it does not appear as though the budgets are periodically compared with actual results, such as through a monthly report that would be approved by the Board and documented in the minutes of the Board meetings. In order to remain in compliance with the Uniform Budgeting and Accounting Act (Act 2 of 1968, Budget Sections as amended) and for the Township's budget to be a meaningful document and useful management tool, management should prepare periodic interim budget vs. actual financial statements for the Township Board to review.

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Furthermore, the Uniform Budgeting and Accounting Act requires the Township Board to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

As explained in Note G to the financial statements, various activities within the General Fund of the Township exceeded the amounts appropriated. We recommend that the Township management provide the Board periodic financial reports. We also recommend that the Board review such financial reports preferably on a monthly basis, but at least on a quarterly basis. The financial reports should be generated directly from the Township's general ledger and include fiscal year-to-date revenues and expenditures compared to their budgeted amounts. Management should recommend and the Township Board should provide for budget amendments prior to exceeding amounts appropriated.

RECONCILIATIONS OF BANK ACCOUNTS

During our analysis of cash, we noted that the Township had not prepared formal bank reconciliations throughout the year. Through our audit procedures, we were able to recreate bank reconciliations, documenting any reconciling items (i.e., deposits in transit, outstanding checks, etc.).

The Uniform Accounting Procedures Manual issued by the Department of Treasury contains the basic financial records, documents, and procedures that are applicable to all counties and local units of government in Michigan. That manual states that all bank accounts must be reconciled to the local unit accounting records monthly. The clerk's records must agree with or reconcile to the treasurer's and the bank's records. A reconciliation sheet should be prepared in duplicate for each month with one copy for the clerk and one copy for the treasurer.

We recommend the Township assure that formal reconciliations are prepared on a monthly basis for all bank accounts and that the reconciliations are retained for audit purposes.

DOUBLE ENTRY ACCOUNTING SYSTEM

During our audit procedures, we noted that the Township does not employ a true double-entry accounting system. Various receipt, disbursement, and checkbook-type ledgers are maintained, but there are no records of balance sheet accounts that can be related to the existing ledgers.

The Uniform Accounting Procedures Manual issued by the Department of Treasury contains the basic financial records, documents, and procedures that are applicable to all counties and local units of government in Michigan. That manual states that a full general ledger must be maintained that documents the history of all assets, liabilities, fund balances, revenues, and expenditures.

We recommend the Township implement a double-entry accounting system, whether manual or computerized, that will help to maintain all of the general ledger accounts required by the Michigan Department of Treasury.

OTHER COMMENTS AND RECOMMENDATIONS

ADDITIONAL ADMINISTRATIVE POLICIES AND PROCEDURES

Based on our discussions with management, we noted that the Township has not formally adopted written procedures and policies for certain areas of operation. Documenting specific policies and procedures allows employees to have a clearer understanding of management's expectations. It also allows management to have greater visibility over those areas for which they are responsible. Specifically, we suggest that the Township develop, formally adopt, and implement written procedures and policies in the following areas:

- a. Disaster recovery plan - We suggest the Township adopt a disaster recovery plan. The plan should identify areas of operation that are critical to the Township and detail how the Township would continue to operate in the absence of those critical areas of operation.

ADDITIONAL ADMINISTRATIVE POLICIES AND PROCEDURES - CONTINUED

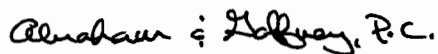
- b. Conflict of interest policy - A conflict of interest policy will clarify the Township's position on ethical behavior and communicate that position to employees and Board members. We suggest the Township develop and implement a policy addressing conflict of interest and include it in the policy manual and periodically require a declaration of compliance from employees and Board members. The Township should also obtain conflict of interest disclosure statements from its employees and Board members.
- c. Fraud prevention policy - A policy on fraud prevention should define the scope of the policy and include a definition of actions constituting fraud and the appropriate procedures to follow when reporting fraud or suspicions of fraud.
- d. Capital asset management policy - We suggest that the Board adopt a policy for the acquisition and disposal of capital assets. The policy should specify the dollar threshold to be used for asset capitalization and that the disposal of capital assets requires formal approval by the Township Board. The policy should also indicate estimated useful lives for each major classification of capital assets. Adoption of the capital asset management policy should be documented in the minutes of the Board meetings.
- e. Investment policy - Effective for the year ended March 31, 2006, the Governmental Accounting Standards Board Statement No. 40 requires governmental entities to inform financial statement users about deposit and investment risks that could affect the entity's ability to provide services and meet its obligations as they become due. During the course of our audit and through discussions with management, it was noted that the Township does not currently have an investment policy that complies with GASB 40.

We suggest the Township Board consider how the investment policy will address deposit and investment risk and adopt the applicable changes. Such policies are required by GASB Statement No. 40 to be disclosed in the notes to the Township's financial statements.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the March 31, 2006 financial statements, and this report does not affect our report on those financial statements dated September 17, 2006. We have not considered the internal controls since the date of our report.

This report is intended solely for the information and use of the Township Board for the Township of Brookfield and management and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these reportable conditions, other comments, and recommendations with you, and to provide assistance in the implementation of improvements.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 17, 2006